

APRIL 9, 2007
QUESTIONS AND ANSWERS
RFP 07-002 SECURITIES LENDING SERVICES

1.Q. SCOPE OF WORK- Regarding the statement that, “All securities lending activity will be required to flow through the securities lending accounts established with the custodian.” Does this include the settlement and custody of investment made with cash collateral?

1.A. Yes.

2.Q. Question 3.3.11 - Does the question, “in a ‘bonds borrowed’ securities lending program, is the collateral delivered to the State Treasurer’s Custodian?” mean that the options exists for the vendor to hold “bonds borrowed” collateral?

2.A. The intent of this question is to learn as much as possible about a “bonds borrowed” securities lending program as our current program is not of that type, however it is something we may consider in the future. In this connection, you should note that per NRS 355.135, 355.165, and 355.167, the State Treasurer must receive collateral from the borrower which represents at least 102% of the value of the securities borrowed.

3.Q. Question 3.6.2 – Please clarify the statement, “It must also be assumed that the State Treasurer will be invested in approximately one half (1/2) of the availability of restricted securities such as commercial paper and certificates of deposit.” Does this mean that lending agent must coordinate purchased of “restricted securities” used for cash collateral investment with the Treasurer’s office?

3.A. Yes. The State Treasurer’s office requires a daily reconciliation between the State Treasurer’s portfolios and the cash collateral investments to ensure that percentage restrictions are not violated. This allows both the State Treasurer’s investment staff and the securities lending agent to be aware of what investment positions are currently held.

4.Q. Please confirm that the Investment Guidelines provided as Attachment E are to be used for the General Portfolio, the LGIP, and the NVEST portfolios.

4.A. Yes.

5.Q. Section 4.2 – Will the State Treasurer’s designee be willing to confirm the receipt of the Attachment C Reference Forms back to the vendors upon receipt so that the vendor can “chase” those not delivered?

5.A. Yes. Please send an e-mail to dvansickle@nevadatreasurer.gov with a list of vendor’s references. I will verify by e-mail to vendor as to which references have been received.

6.Q. Do you anticipate that the 102% collateral margin requirement is done in the aggregate by borrower? How is this shown on your loan reports? Is there a threshold rounding level for the marks?

6.A. Yes, the requirement is computed in the aggregate by borrower, by account. The loan reports should categorize the aggregate in this manner. There is no rounding level for the marks.

7.Q. What do you consider a “matched” loan vs. a “mismatched” loan?

7.A. The loan’s term must be matched exactly to the maturity or the reset of the investment of the cash collateral.

8.Q. How does the lending agent receive information from the State's portfolio manager daily and report the collateral portfolio positions back to the State to ensure compliance with the investment portfolio restrictions?

8.A. The State Treasurer's securities custodian is responsible for providing a daily feed of the State Treasurer's portfolio holdings to the securities lending agent. In turn, the agent is required to provide a daily reconciliation to the State Treasurer which provides a picture of the State Treasurer's investment holdings combined with the agent's investment of cash collateral.

9.Q. 3.2.2 Do you require a "matched" program for your securities lending activity? Would the State Treasurer be willing to consider an "unmatched" program?

9.A. A matched program is required.

10.Q. 3.3.10 Please define your terminology of "bonds borrowed". We consider this to be non-cash collateral received in the form of U.S. Treasuries.

10.A. As discussed in the answer to question #2, the State Treasurer would like to learn about a "bonds borrowed" securities lending program from prospective vendors who might utilize this type of program for their clients. If the collateral received is in the form of U.S. Treasuries and is industry standard for this type of program, or if vendor offers alternatives to this, please discuss. Per NRS 355.135, 355.165, and 355.167, the State Treasurer must receive collateral from the borrower which represents at least 102% of the value of the borrowed securities.

11.Q. 3.3.15 Please define "failed securities lending transaction". Does the question refer to a delay in getting the security back or a default?

11.A. The question refers to an actual default.

12.Q. 3.6.2 In the note section of this question for assumptions, do your current account holdings already reflect the investment restriction of one half of the availability or do we have to assume that this is an additional restriction?

12.A. Please assume the additional restriction. The portfolios are the entire holdings as of February 28, 2007.

13.Q. Do joint venture agreements fall under your definition of a subcontractor?

13.A. If the response to this RFP indicates that another vendor will provide securities lending services in addition to that of the vendor responding, the answer is yes. The response must only have one primary respondent. All other respondents must be considered sub-contractors.

14.Q. Would the lending agent be required to hold the collateral or forward it to the custodian for safekeeping?

14.A. The lending agent is required to forward collateral to the State Treasurer's securities custodian.

15.Q. Does the State require 102% of the value of borrowed securities at all times?

15.A. Yes. Per NRS 355.135, 355.165, and 355.167, the State Treasurer must receive collateral from the borrower which represents at least 102% of the value of the securities borrowed.

16.Q. Subject to your approval, would the State accept the lending agent's own signed borrower's agreements in lieu of the Bond Market Association's Master Securities Loan Agreement?

16.A. The State Treasurer will only accept the Bond Market Association's Master Securities Loan Agreement.

17.Q. Could we obtain a copy of the Contract Form in Attachment B in a Word document format for the purpose of marking up our proposed amendments?

17.A. The RFP document in Word format is on the State Treasurer's website at <http://nevadatreasurer.gov/RFP/Investments/RFPSECLD07-002CompleteUpdate.doc>

18.Q. Could we obtain a copy of the Investment Portfolios in Attachment D in Excel spreadsheet format?

18.A. This format is unavailable.